

§ 202.6

by a State or other political subdivision of the United States.

(Approved by the Office of Management and Budget under control number 2502-0017)

[56 FR 52437, Oct. 18, 1991; 57 FR 6481, Feb. 25, 1992, as amended at 61 FR 8458, Mar. 4, 1996]

§ 202.6 Requirements for loan correspondents.

In addition to the general approval requirements in § 202.3, a financial institution shall meet the following requirements to qualify as a loan correspondent:

(a) A loan correspondent shall have and maintain a net worth of not less than \$50,000 in assets acceptable to the Secretary, plus an additional \$25,000 for each branch office authorized by the Secretary, up to a maximum requirement of \$250,000.

(b) A loan correspondent may sell or transfer Title I loans only to its sponsoring lenders. There is no limitation on the number of sponsoring lenders that a loan correspondent may have, and no limitation on the number of loan correspondents that a lender may sponsor.

(c) Each sponsoring lender shall request approval of its loan correspondents from the Secretary, and shall be responsible to the Secretary for the actions of its loan correspondents in originating Title I loans.

(d) All Title I loans shall be funded by and closed in the name of the loan correspondent, prior to their sale or transfer to a sponsoring lender.

(e) Within 90 days of the close of its fiscal year and at such other times as may be requested by the Secretary, a loan correspondent which is a non-supervised institution shall file with the Secretary an audit report and financial statements in a form acceptable to the Secretary, consisting of a balance sheet, a statement of operations and retained earnings, an analysis of net worth adjusted to reflect only assets acceptable to the Secretary, and an analysis of escrow funds. The audit report and financial statements shall be based upon an audit performed by a Certified Public Accountant or by a qualified Independent Public Accountant (as defined by the Comptroller General of the United States) licensed by a

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State or other political subdivision of the United States.

(f) A loan correspondent and its sponsoring lender shall provide prompt notification to the Secretary if their loan correspondent agreement is terminated.

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[56 FR 52437, Oct. 18, 1991; 57 FR 6481, Feb. 25, 1992]

§ 202.7 Requirements for investing lenders.

In addition to the general approval requirements in § 202.3, a financial institution shall meet the following requirements to qualify as an investing lender:

(a) An investing lender shall have lawful authority to purchase, hold, and sell Title I property improvement and manufactured home loans in its own name.

(b) An investing lender shall have, or have made arrangements for, funds sufficient to support a projected investment of at least \$1,000,000 in property improvement and manufactured home loans.

(c) In lieu of the staffing and facilities requirements in § 202.3(b), an investing lender shall have officers or employees who are capable of managing its activities in purchasing, holding, and selling Title I loans.

(d) An investing lender shall be responsible for the servicing of the Title I loans that it holds, through contractual or other arrangements with another lender holding a valid Title I contract of insurance, but it may not directly service such loans except with the prior approval of the Secretary.

[60 FR 13836, Mar. 14, 1995]

§ 202.8 Termination of insurance contract.

(a) *Notice.* A Contract of Insurance may be terminated in accordance with its terms by the Secretary or by the Secretary's designee upon giving the lender at least 5 days prior written notice.

(b) *Informal meeting.* If requested, a lender shall be entitled to an informal meeting with the Department official